

## Message Text

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62

ORIGIN ARA-20

INFO OCT-01 ADP-00 EB-11 COME-00 OPIC-12 SCEM-02 AID-20

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15

PRS-01 /096 R

DRAFTED BY ARA/CEN LAPEZZULLO:TK

7/20/73 20630

APPROVED BY ARA/CEN DAVID LAZAR

----- 015285

P R 202156Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE PRIORITY

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY MANAGUA

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ALSO GUATEMALA FOR ROCAP

E.O. 11652:N/A

TAGS: ENRG, ETRD, EIND, CS US

SUBJECT: RECOPE PROBLEM

REF: SAN JOSE 2593

1. CEN PEZZULLO CALLED UNION TEXAS JULY 20, TO DISCUSS RECOPE PROBLEM AND JULY 27 MEETING WITH MINISTER KOGAN. TEVERBOUGH WAS OUT FOR THE DAY SO CONVERSATION HELD WITH FLOWERS. PEZZULLO MADE POINTS SUGGESTED IN PARA 6 REFTEL, EMPHASIZING IMPORTANCE GOCR ATTACHED TO JULY 27 MEETING. FLOWERS SAID HE WAS AWARE OF THE PRESSURE BUILDING ON THE GOCR TO RESOLVE THE SHORTAGES. HE SAID VILLALOBOS, WHO HE DESCRIBED AS "VERY FRIENDLY", HAD VISITED UNION TEXAS PRIOR TO HIS TRIP TO VENEZUELA. THEY WENT OVER THE PRICING STRUCTURE IN GREAT DETAIL. LAST WEEK, VILLALOBOS SHOWED RECOPE AN AGENDA FOR THE

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JULY 27 MEETING COMPOSED OF THREE ITEMS: (A) STABILITY

OF SUPPLY; (B) PRICING; AND (C) WORLD ENERGY SHORTAGE.  
FLOWERS ALLEGED THAT VILLALOBOS, AT LEAST WAS ESPECIALLY  
CONCERNED ABOUT THE ENERGY CRISIS.

2. FLOWERS REPEATEDLY RETURNED TO THE DIFFICULTY OF  
REACHING A DEFINITE SOLUTION WITH THE GOCR UNTIL AFTER  
THE SUPPLY CONTRACT WITH SHELL WAS RENEGOTIATED THIS  
FALL. QUITE OBVIOUSLY HE AND TEVENBOUGH WILL FALL BACK  
ON PREDICTABLE INCREASES IN THE COST OF CRUDE TO ARGUE

FOR A PRICE INCREASE. HE GAVE NO INDICATION THAT UNION  
TEXAS WAS PREPARED TO ADDRESS THE SUPPLY SHORTAGE ISSUE,  
WITHOUT TYING IT TO A PRICE INCREASE, AND IT WAS  
APPARENT THAT THE GOCR'S ALLEGED CONCERN OVER THE  
WORLD ENERGY CRISIS WILL BE WOVEN INTO HOW UNION TEXAS  
PLAYS THIS ISSUE.

3. FLOWERS APPEARED TO RECOGNIZE THE IMPORTANCE OF THE  
JULY 27 MEETING AND SAID UNION TEXAS WOULD BE PREPARED  
TO NEGOTIATE A TOTAL PACKAGE, ON THE CONDITION THAT  
THE GOCR IS WILLING TO MAKE SOME ADJUSTMENTS TO TAKE  
ACCOUNT OF AN INCREASE IN CRUDE THIS FALL.

4. HE SAID HE WOULD CALL ON THE EMBASSY BEFORE THE  
MEETING.

RUSH

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTION  
**Control Number:** n/a  
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**Disposition Authority:** worrelsw  
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**Disposition Date:** 28 MAY 2004  
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**Original Previous Handling Restrictions:** n/a  
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